

**DeSoto Parish Fire Protection District No. 3**  
**Stonewall, Louisiana**

**Financial Statements**  
December 31, 2011

**DESOTO PARISH FIRE PROTECTION DISTRICT NO.3**  
**Stonewall, Louisiana**  
**FINANCIAL REPORT**  
December 31, 2011

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**Independent Accountant's Review Report**

Board of Commissioners  
DeSoto Parish Fire Protection District No. 3  
Stonewall, Louisiana

I have reviewed the accompanying financial statements of the governmental activities and the major fund of DeSoto Parish Fire Protection District No. 3, a component of the DeSoto Parish Police Jury, as of and for the year ended December 31, 2011, which collectively comprise the DeSoto Parish Fire Protection District No. 3's basic financial statements as listed in the Table of Contents. A review includes primarily applying analytical procedures to financial data and making inquiries of the Fire District's management. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statements as a whole. Accordingly, I do not express such an opinion.

Management is responsible for the preparation and fair presentation in accordance with governmental accounting principles generally accepted in the United States of America, set by the Governmental Accounting Standards Board, and for designing, implementing, and maintaining internal controls relevant to the preparation and fair presentation of the financial statements.

My responsibility is to conduct the review in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants. Those standards require me to perform procedures to obtain limited assurance that there are not material modifications that should be made to the financial statements. I believe that the results of my procedures provide a reasonable basis for my report.

Based on my review, I am not aware of any material modifications that should be made to the accompanying financial statements of the DeSoto Parish Fire Protection District No. 3 for the year ended December 31, 2011, in order for them to be in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis and budgetary comparison information, on pages 4 through 7, and 29 are presented only for purposes of additional analysis and are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. The information included in the budgetary comparison has been subjected to the inquiry and analytical procedures applied in the review of the basic financial statements, and I am not aware of any material modifications that should be made thereto. The information included in the management discussion and analysis has not been subjected to the inquiry and analytical procedures applied in the review of the basic financial statements, but were compiled from information that is the representation of management, without audit or review. Accordingly, I do not express an opinion or any other form of assurance on the management's discussion and analysis.

In accordance with the *Louisiana Governmental Audit Guide* and the provisions of state law, I have issued a report, dated June 20, 2012, on the results of our agreed-upon procedures on pages 32 through 34. Pages 35 through 36 present the Louisiana Attestation Questionnaire.

*Deborah D. Dees, CPA*

Deborah D. Dees, CPA  
Mansfield, Louisiana  
June 20, 2012

**REQUIRED SUPPLEMENTAL INFORMATION (PART I)**

## **DESOTO PARISH FIRE PROTECTION DISTRICT NO. 3**

Stonewall, Louisiana

December 31, 2011

### **MANAGEMENT'S DISCUSSION AND ANALYSIS**

As management of the DeSoto Parish Fire Protection District No. 3 (Fire District), we offer the readers of our annual financial report our discussion and analysis of the Fire District's financial performance during the fiscal year that ended on December 31, 2011. Please read it in conjunction with the Fire District's financial statements, which follow this section.

The Fire District was determined to be a component unit of the DeSoto Parish Policy Jury. The accompanying financial statements present information only on the funds maintained by the DeSoto Parish Fire Protection District No. 3.

### **FINANCIAL HIGHLIGHTS**

DeSoto Parish Fire Protection District No. 3 experienced an increase in its total net assets of \$53,342 or 5.5% during the year. At December 31, 2011, the assets of the Fire District exceeded its liabilities by \$1,023,001.

Unrestricted net assets of \$531,419 (52% of total net assets) represent the amount available to be used to meet the Fire District's ongoing obligations to its citizens. The remaining 48% of net assets (\$491,582) is restricted to that invested in capital assets, net of related debt.

### **OVERVIEW OF FINANCIAL STATEMENTS**

This Management Discussion and Analysis document introduces the basic financial statements which include government-wide financial statements and fund financial statements. These two types of financial statements present the Fire District's financial position and results of operations from differing perspectives, which are described as follows:

#### **Government-Wide Financial Statement**

The government-wide financial statements report information about the Fire District as a whole using accounting methods similar to those used by private-sector companies. These report all revenues and expenses regardless of when cash is received or paid. Furthermore, the government-wide statements include all of the Fire District's assets and all of its liabilities. All of the Fire District's activities are classified as governmental activities in the government-wide financial statements. The governmental activities are financed primarily by property taxes and intergovernmental revenues that include fire insurance rebates, state revenue sharing and grants.

#### **Fund Financial Statements**

Fund financial statements provide detailed information regarding the Fire District's most significant activities and are not intended to provide information for the Fire District as a whole. Funds are accounting devices that are used to account for specific sources of funds. All of the Fire District's funds are limited to its general fund, which is classified as a Governmental Fund. This fund is used to account for essentially the same functions that are reported as governmental activities in the government-wide financial statements. However, unlike government-wide financial statements, the governmental fund uses a modified accrual basis of accounting that provides a short-term view of the Fire District's finances. Assets reported by the governmental fund are limited to amounts that are available for current needs. In addition, liabilities are limited to amounts that are expected to be paid from currently available assets.

DESOTO PARISH FIRE PROTECTION DISTRICT NO. 3

Stonewall, Louisiana

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**Notes to the Financial Statements**

The notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found immediately following the fund financial statements.

**Supplementary Information**

In addition to the basic financial statements and accompanying notes, this report also presents certain required *supplementary information*. The Fire District adopts an annual budget for the general fund. A budgetary comparison statement is provided for the general fund to demonstrate budgetary compliance.

**FINANCIAL ANALYSIS OF THE FIRE DISTRICT AS A WHOLE**

The comparison of net assets from year to year serves to measure a government's financial position. As of December 31, 2011. The Fire District's assets exceed its liabilities by \$1,023,001 (net assets).

At December 31, 2011, \$491,582 or 48% of the Fire District's net assets reflects capital assets with a historical cost of \$1,483,462 less accumulated depreciation of \$871,778 with related debt of \$120,101.

Total liabilities for the Fire District decreased \$55,655 from 2010 primarily due to the annual payment on a capital lease purchase agreement with Government Capital Corporation for two new Kenworth tanker trucks worth \$325,300 purchased in 2009.

A Summary of Statement of Net Assets is as follows:

	Governmental Activities 2011	Governmental Activities 2010
<b>ASSETS</b>		
Current and other assets	\$ 531,751	\$ 508,106
Capital assets, net of accumulated depreciation	611,684	637,642
Total assets	<u>\$ 1,143,435</u>	<u>\$ 1,145,748</u>
<b>LIABILITIES</b>		
Current liabilities	\$ 58,929	\$ 55,988
Long-term liabilities	61,505	120,101
Total liabilities	<u>\$ 120,434</u>	<u>\$ 176,089</u>
<b>NET ASSETS</b>		
Investments in capital assets, net of related debt	\$ 491,582	\$ 461,715
Unrestricted	531,419	507,944
Total net assets	<u>\$ 1,023,001</u>	<u>\$ 969,659</u>

## DESOTO PARISH FIRE PROTECTION DISTRICT NO. 3

Stonewall, Louisiana

December 31, 2011

The following schedule compares revenues and expenses for the current and previous year. Total revenues increased by 21.61% (\$53,017) since last year. This increase was primarily due to insurance proceeds paid on a wrecked fire truck of \$51,750. Approximately 76.98% of the Fire District's total revenues come from parcel fees, 4.74% from grants and contributions, and 3.89% from other state sources. Total expenses increased 12.08% (\$26,406) over the prior year.

Charges for Services--Parcel fees in the Fire District increased by \$5,770, or 2.58%. The Fire District received grants and contribution of \$14,149 from 1) Louisiana State Agriculture & Forestry Department (\$2,099), 2) Exco Production Company (\$2,000), 3) Encana Oil & Gas Inc., (\$10,000), and 4) individual donations (\$50).

A Summary of Statement of Activities is as follows:

	Governmental Activities	
	2011	2010
Program Revenues:		
Charges for Services-Parcel fees	\$ 229,650	\$ 223,880
State and Other Grants	14,149	5,465
General Revenues:		
Intergovernmental revenues	11,617	11,268
Interest income	1,460	2,097
Other Revenue	55	2,607
Gain/(Loss) on damaged/obsolete asset	41,403	
Total revenues	298,334	245,317
Expenses		
Public Safety	236,260	207,214
Interest on Debt	8,732	11,372
Total expenses	244,992	218,586
Increases (Decrease) in net assets	53,342	26,731
Net Assets beginning	969,659	942,928
Net Assets, ending	\$ 1,023,001	\$ 969,659

### FINANCIAL ANALYSIS OF THE FIRE DISTRICT'S GOVERNMENTAL FUNDS

For the year ended December 31, 2011, differences between the government-wide presentation and the fund financial statements were due to acquisition of capital outlays, depreciation changes associated with capital assets, prepaid expenses, and differences between debt payments and principal reduction.

### GENERAL FUND BUDGETARY HIGHLIGHTS

The Fire District adopted a budget for its General Fund for the year ended December 31, 2011. Actual revenues were \$26,725 over the final budget due to an insurance reimbursement. Actual expenses were under budget \$13,473. The budget was amended once during the year.

**DESOTO PARISH FIRE PROTECTION DISTRICT NO. 3**  
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December 31, 2011

**DEBT ADMINISTRATION**

Debt of the Fire District had a net decrease of \$55,825 in 2011 which reflects payment of principal on a capital lease purchase agreement entered into with Government Capital Corporation in 2009 for two new Kenworth tanker trucks purchased.

**CAPITAL ASSETS**

The Fire District spent \$57,050 on capital assets in 2011. The Fire District purchased a repeater, compressed air foam system, and generator.

**ECONOMIC FACTORS AND NEXT YEAR'S BUDGET**

The primary revenue source for the Fire District is parcel assessed fees. This fee is not subject to changes in the economy, in the short-term. However, in the long-term, the ability to collect this fee could affect the Fire District's revenue. The budget for fiscal year end 2011 should not change significantly from the fiscal year end 2011 budget.

**CONTACTING THE FIRE DISTRICT**

This financial report is designed to provide our citizens, taxpayers, and creditors with a general overview of the finances for those funds maintained by the DeSoto Parish Fire Protection District No. 3 and to show the Fire District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Greg Baker, Chairman, at P. O. Box 329, Stonewall, Louisiana, 71078 or call at (318) 925-0087.



## BASIC FINANCIAL STATEMENTS

## GOVERNMENT-WIDE FINANCIAL STATEMENTS

**DESOTO PARISH FIRE PROTECTION DISTRICT NO. 3**  
**Stonewall, Louisiana**

**STATEMENT OF NET ASSETS**  
December 31, 2011

	GOVERNMENTAL ACTIVITIES
<b>ASSETS</b>	
Cash and cash equivalents	\$ 182,535
Accounts receivable (note 7)	342,721
Prepaid expenses	6,495
Capital assets, net of depreciation (note 3)	<u>611,684</u>
<b>TOTAL ASSETS</b>	<b>\$ <u>1,143,435</u></b>
<b>LIABILITIES</b>	
Current Liabilities:	
Payroll liabilities	\$ 332
Notes payable, current	<u>58,596</u>
Total current liabilities	58,929
Long-term liabilities:	
Notes payable (note 10)	<u>61,505</u>
<b>TOTAL LIABILITIES</b>	<b>\$ <u>120,434</u></b>
<b>NET ASSETS</b>	
Invested in capital assets, net of related debt	\$ 491,582
Unrestricted	<u>531,419</u>
<b>TOTAL NET ASSETS</b>	<b>\$ <u><u>1,023,001</u></u></b>

**DESOTO PARISH FIRE PROTECTION DISTRICT NO. 3**  
**Stonewall, Louisiana**

**STATEMENT OF ACTIVITIES**  
For the Year Ended December 31, 2011

Function/Program	Expenses	Program Revenues			Net (Expenses) Revenues and Changes in Net Assets
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
Governmental Activities:					
Public safety-fire	\$ 236,260	\$ 229,650	\$	\$ 14,150	\$ 7,540
Interest on debt	8,732				(8,732)
Total Governmental Activities	<u>\$ 244,992</u>	<u>\$ 229,650</u>	<u>\$</u>	<u>\$ 14,150</u>	<u>(1,192)</u>
General Revenues:					
Interest earnings					1,460
Fire insurance rebate					11,617
Other income					55
Gain/Loss on sale of assets					41,403
Total General Revenues					<u>54,535</u>
Change in Net Assets					53,342
Net Assets Beginning					<u>969,659</u>
Net Assets Ending					<u>\$ 1,023,001</u>

## FUND FINANCIAL STATEMENTS

**DESOTO PARISH FIRE PROTECTION DISTRICT NO. 3**  
**Stonewall, Louisiana**

**BALANCE SHEET, GOVERNMENTAL FUNDS**  
December 31, 2011

	<u>General Fund</u>
<b>ASSETS</b>	
Cash and cash equivalents	\$ 182,535
Receivables, net of allowance	<u>342,721</u>
<b>TOTAL ASSETS</b>	<b>\$ <u>525,256</u></b>
<b>LIABILITIES AND FUND BALANCES</b>	
Liabilities:	
Payroll liabilities	\$ 332
Total Liabilities	<u>332</u>
Fund Balances:	
Unassigned	<u>524,924</u>
Total Fund Balances	<u>524,924</u>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ <u>525,256</u></b>

**DESOTO PARISH FIRE PROTECTION DISTRICT NO. 3**  
**Stonewall, Louisiana**  
**RECONCILIATION OF THE GOVERNMENTAL FUND BALANCE SHEET**  
**TO THE GOVERNMENT-WIDE STATEMENT OF NET ASSETS**  
December 31, 2011

Total Net Assets reported for Governmental Activities in the Statement of Net Assets are different because:

Fund Balances, Total Governmental Funds Statement C	\$ 524,924
Capital Assets used in governmental activities are not current financial resources and therefore, are not reported in the government funds	611,684
Prepaid expenses involve payment with current financial resources that are attributable to fiscal periods beyond the end of the current fiscal year	6,495
Long-term liabilities, including capital leases, are not due and payable in the current period and therefore, are not reported in the governmental funds	<u>(120,101)</u>
Net Assets of Governmental Activities, Statement A	<u>\$ 1,023,001</u>

**DESOTO PARISH FIRE PROTECTION DISTRICT NO. 3**  
**Stonewall, Louisiana**

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE**  
**OF GOVERNMENTAL FUNDS**

For the Year Ended December 31, 2011

	<u>General Fund</u>
<b>Revenues</b>	
Service charge parcel fees	\$ 229,650
Intergovernmental revenue- state funds	
Fire insurance rebate	11,617
State and other grants	2,099
Contributions	12,050
Other revenues	55
Interest income	1,460
<b>Total Revenues</b>	<u>256,932</u>
<b>Expenditures</b>	
Current:	
Public safety-fire	
Personal and related benefits	21,127
Materials and supplies	119,266
General and administrative	25,252
Capital outlays	57,050
Debt service:	
Principal payments	55,825
Interest expense	8,732
<b>Total Expenditures</b>	<u>287,252</u>
<b>Net Change in Fund Balance before Other Financing Source</b>	<u>(30,320)</u>
<b>Other Financing Source</b>	
Insurance proceeds	51,750
<b>Total Other Financing Source</b>	<u>51,750</u>
<b>Net Change in Fund Balance</b>	21,430
<b>Fund balance, beginning of year</b>	<u>503,494</u>
<b>Fund balance, end of year</b>	<u>\$ 524,924</u>



**DESOTO PARISH FIRE PROTECTION DISTRICT NO. 3**  
**Stonewall, Louisiana**

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUND  
TO THE STATEMENT OF ACTIVITIES**  
For the Year Ended December 31, 2011

Amounts reported for governmental activities in the Statement of Activities are different because:

Net Change in Fund Balances, Governmental Funds, Statement E	\$	21,430
Governmental funds report expenses that involve payments with current financial resources, such as insurance, in the year in which it is paid. In the Statement of Activities, payments that are attributable to current periods are recognized.		2,046
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds:		
Capital outlays (\$57,050) less than depreciation expense (\$72,662)		(15,612)
Loss on damaged/obsolete asset		(10,347)
Long-term liabilities are not due and payable in the current period and therefore are not reported in the governmental funds:		
Payments on capital leases		55,825
Change in Net Assets of Governmental Activities, Statement B	\$	53,342

## NOTES TO THE FINANCIAL STATEMENTS

# **DESOTO PARISH FIRE PROTECTION DISTRICT NO. 3**

## **Stonewall, Louisiana**

### **NOTES TO THE FINANCIAL STATEMENTS**

December 31, 2011

## **INTRODUCTION**

DeSoto Parish Fire Protection District No. 3 was created by the DeSoto Parish Police Jury, as authorized by Louisiana Revised Statute 40:1492 on July 22, 1987. The Fire District is governed by a five-member board appointed in accordance to LRS 40:1496 as follows: two members by the Police Jury, two members by the Town of Stonewall, and one, the chairman, by the other four members. The Fire District is responsible for maintaining and operating five fire stations and related equipment, and providing fire protection and rescue services to approximately 7,200 residents in the northern part of the parish. The Fire District is staffed by two part-time employees and about 42 volunteers.

## **1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The accompanying basic financial statements of the DeSoto Parish Fire Protection District No. 3 have been prepared in conformity with governmental accounting principles generally accepted in the United States of America. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

### **A. REPORTING ENTITY**

As the governing authority of the parish, for reporting purposes, the DeSoto Parish Police Jury is the financial reporting entity for DeSoto Parish. The financial reporting entity consists of (a) the primary government (Police Jury), (b) organizations for which the primary government is financially accountable, (c) other organizations for which nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statement to be misleading or incomplete.

Governmental Accounting Standards Board (GASB) Statement No. 14 established criteria for determining which component units should be considered part of the DeSoto Parish Police Jury for financial reporting purposes. The basic criterion for including a potential component unit within the reporting entity is financial accountability. The GASB has set forth criteria to be considered in determining financial accountability. This criterion includes:

1. Appointing a voting majority of an organization's governing body, and
  - a. The ability of the Police Jury to impose its will on that organization and/or;
  - b. The potential for the organization to provide specific financial benefits to or impose specific financial burdens on the Police Jury.
2. Organizations for which the Police Jury does not appoint a voting majority but are fiscally dependent on the Police Jury.
3. Organizations for which the reporting entity financial statements would be misleading if data of the organization is not included because of the nature of significance of the relationship.

# **DESOTO PARISH FIRE PROTECTION DISTRICT NO. 3**

**Stonewall, Louisiana**

## **NOTES TO THE FINANCIAL STATEMENTS**

December 31, 2011

### **1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

Because the Police Jury created the Fire District and has the ability to impose its will on the Fire District, the Fire District was determined to be a component unit of the DeSoto Parish Police Jury, the financial reporting entity. The accompanying financial statements present information only on the funds maintained by the Fire District and do not present information on the Police Jury, the general government services provided by that governmental unit, or the other governmental units that comprise the financial reporting entity.

#### **B. BASIS OF PRESENTATION**

##### **Government-Wide Financial Statements (GWFS)**

The Statement of Net Assets and Statement of Activities display information about the reporting government as a whole. They include the fund of the reporting entity, which is considered to be a governmental activity. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange revenues.

The Statement of Activities presents a comparison between direct expenses and program revenues for each function of the Fire District's governmental activities. Direct expenses are those that are specifically associated with a program or function. Program revenues include (a) fees and charges paid by the recipients for goods or services offered by the programs, and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

##### **Fund Financial Statements (FFS)**

The accounts of the Fire District are organized and operated on the basis of funds. A fund is an independent fiscal and accounting entity with a separate set of self-balancing accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. The minimum number of funds is maintained consistent with legal and managerial requirements.

The one fund of the Fire District is classified as a governmental fund. The emphasis on fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. The Fire District has only one fund, a governmental fund. A fund is considered major if it is the primary operating fund of the entity or meets the following criteria:

- a. Total assets, liabilities, revenues, or expenditures/expenses of that individual governmental or enterprise fund are at least 10 percent of the corresponding total for all funds of that category or type; and
- b. Total assets, liabilities, revenues, or expenditures/expenses of the individual governmental or enterprise fund are at least 5 percent of the corresponding total for all governmental and enterprise funds combined.

# **DESOTO PARISH FIRE PROTECTION DISTRICT NO. 3**

## **Stonewall, Louisiana**

### **NOTES TO THE FINANCIAL STATEMENTS**

December 31, 2011

#### **1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

The major governmental fund of the Fire District is described below:

General Fund. The General Fund is the principal fund of the Fire District and is used to account for the operations of the Fire District. General operating expenditures are paid from this fund.

#### **C. MEASUREMENT FOCUS/ BASIS OF ACCOUNTING**

Measurement focus is a term used to describe "which" transactions are recorded within the various financial statements. Basis of accounting refers to "when" transactions are recorded regardless of the measurement focus applied.

##### **Measurement Focus**

On the government-wide Statement of Net Assets and the Statement of Activities, governmental activities are presented using the economic resources measurement focus. The accounting objectives of this measurement focus are the determination of operating income, changes in net assets (or cost recovery) and financial position. All assets and liabilities (whether current or non-current) associated with its activities are reported. Government-wide fund equity is classified as net assets.

In the fund financial statements, the "current financial resources" measurement focus is used. Only current financial assets and liabilities are generally included on its balance sheet. Their operating statement presents sources and uses of available spendable financial resources during a given period. This fund uses fund balance as its measure of available spendable financial resources at the end of the period.

##### **Basis of Accounting**

In the government-wide Statement of Net Assets and Statement of Activities, the governmental activities are presented using the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used. Revenues, expenses, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place.

Program revenues in the Statement of Activities (Statement B) are receipts from a service charge assessed property owners; program revenues reduce the cost of the function to be financed from the district's general revenues.

# **DESOTO PARISH FIRE PROTECTION DISTRICT NO. 3**

## **Stonewall, Louisiana**

### **NOTES TO THE FINANCIAL STATEMENTS**

December 31, 2011

#### **1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Revenues are classified by source, and expenditures are classified by function and character. Expenditures (including capital outlay) generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures are recorded only when payment is due. The governmental funds use the following practices in recording revenues and expenditures:

Revenues. Property assessments are recognized in the year in which the assessments are billed. Interest income on time and demand deposits are recorded monthly when the interest is earned and credited to the account.

Expenditures. Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred.

#### **D. ASSETS, LIABILITIES AND EQUITY**

##### **Cash and Interest-bearing Deposits**

For purposes of the Statement of Net Assets, cash and interest-bearing deposits include all demand accounts, and interest bearing savings accounts of the District. Under state law, the Fire District may deposit funds in demand deposits, interest-bearing demand deposits, money market accounts, or time deposits with state banks organized under Louisiana law and national banks having their principal offices in Louisiana.

##### **Prepaid Expenses**

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid expenses in the government-wide financial statements.

##### **Capital Assets**

Capital assets, which include property, plant, and equipment, are reported in the governmental activities column in the government-wide financial statements. Capital assets are capitalized at historical cost or estimated cost if historical cost is not available. Donated assets are recorded as capital assets at their estimated fair market value at the date of donation. The Fire District maintains a threshold level of \$1,000 or more for capitalizing capital assets. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.



# DESOTO PARISH FIRE PROTECTION DISTRICT NO. 3

Stonewall, Louisiana

## NOTES TO THE FINANCIAL STATEMENTS

December 31, 2011

### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Depreciation of all exhaustible capital assets is recorded as an expense in the Statement of Activities, with accumulated depreciation reflected in the Statement of Net Assets. Depreciation is provided over the assets' estimated useful lives using the straight-line method of depreciation. The range of estimated useful lives by type of asset is as follows:

Buildings	40 years
Firefighting equipment	5-10 years
Fire trucks	15 years
Office equipment	3 years

### Equity Classifications

#### Net Assets

In the government-wide statements, equity is classified as net assets and displayed in three components:

- a. Invested in capital assets, net of related debt – Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- b. Restricted net assets – Consists of net assets with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) laws through constitutional provisions or enabling legislation.
- c. Unrestricted net assets – All other net assets that do not meet the definition of "restricted" or "invested in capital assets, net of related debt."

#### Fund Balances

Beginning with fiscal year ending December 31, 2011, the Fire District implemented GASB Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions." This Statement provides more clearly defined fund balance categories to make the nature and extent of the constraints placed on a government's fund balances more transparent. The following classifications describe the relative strength of the spending constraints:

- Nonspendable- amounts that are not in spendable form (such as prepaid expenses) or are legally or contractually required to be maintained intact,
- Restricted- amounts constrained to specific purposes by their providers (such as grantors, bondholders, or higher levels of government), through constitutional provisions, or by enabling legislation,
- Committed- amounts constrained to specific purposes by the Fire District itself, using its highest level of decision making authority, to be reported as committed, amounts cannot be used for any other purpose unless the Fire District takes the same highest level action to remove or change the constraint,

# **DESOTO PARISH FIRE PROTECTION DISTRICT NO. 3**

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## **NOTES TO THE FINANCIAL STATEMENTS**

December 31, 2011

### **1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

- Assigned- amounts the Fire District intends to use for a specific purpose, intent can be expressed by the governing body or by an official or body to which the governing body delegates the authority,
- Unassigned- amounts that are available for any purpose, positive amounts are reported only in the general fund

The Fire District would typically use Restricted fund balances first, followed by Committed resources, and then Assigned resources, as appropriate opportunities arise, but reserves the right to selectively spend Unassigned resources first to defer the use of these other classified funds.

The General Fund, the Fire District's only governmental fund, has an unassigned fund balance of \$524,924.

#### **E. BUDGETS AND BUDGETARY ACCOUNTING**

The Fire District is required by state law to adopt an annual budget. The following procedures are followed in establishing the budgetary data reflected in the financial statements:

A proposed budget is prepared by the governing board in November and made available for public inspection no later than 15 days prior to December 31, of each year. In open meeting prior to December 31, the budget is adopted and becomes part of the official minutes of the Fire District. The proposed budget for the General Fund is prepared on the modified accrual basis of accounting.

Once a budget is approved, it can be amended by approval of a majority of the Board. Amendments are presented at a regular open meeting for Board approval. The budget was amended once during the year.

#### **F. COMPENSATED ABSENCES**

Employees are granted from one to three weeks of vacation per year depending on length of service. In addition, employees are granted 12 days of sick leave each year. Sick leave may be accumulated to a maximum of 25 days. At December 31, 2011, there are no accumulated and vested benefits relating to vacation and sick leave that require accrual or disclosure. The cost of leave privileges, computed in accordance with GASB Codification Section C60, is recognized as current-year expenditure in the General Fund when leave is actually taken.

#### **G. USE OF ESTIMATES**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.



## **DESOTO PARISH FIRE PROTECTION DISTRICT NO. 3**

**Stonewall, Louisiana**

### **NOTES TO THE FINANCIAL STATEMENTS**

December 31, 2011

#### **1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

##### **H. ALLOWANCE FOR DOUBTFUL ACCOUNTS**

The Fire District recognizes uncollectible service charge receivables as bad debts through the establishment of an allowance account. The allowance is based on the average percentage of uncollected accounts in the past ten years.

#### **2. CASH AND INTEREST-BEARING DEPOSITS**

At December 31, 2011, the Fire District has cash and interest-bearing deposits totaling \$182,535 (book balance).

The cash of the Fire District are subject to the following risks:

*Custodial Credit Risk:* Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, the government will not be able to recover its deposits. Under state law, these deposits (or the resulting bank balances) must be secured by federal deposit insurance or the pledge of securities owned by the fiscal agent bank. The market value of the pledged securities plus the federal deposit insurance must at all times equal or exceed the amount on deposit with the fiscal agent. These securities are held in the name of the pledging fiscal agent bank in a holding or custodial bank that is mutually acceptable to both parties. Louisiana Revised Statute 39:1229 imposes a statutory requirement on the custodial bank to advertise and sell the pledged securities within 10 days of being notified by the Fire District that the fiscal agent bank has failed to pay deposited funds upon demand. Further, Louisiana Revised Statute 39:1224 states that securities held by a third party shall be deemed to be held in the Fire District's name.

At December 31, 2011, these deposits are secured from risk by \$250,000 of federal deposit insurance.

*Interest Rate Risk:* This is the risk that changes in market interest rates will adversely affect the fair value of the certificate of deposit. Generally, the longer the maturity of the investment, the greater the sensitivity of its fair value to changes in market interest rates. The Fire District does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. The Fire District's deposits are in interest bearing and non-interest bearing checking and savings accounts which limit exposure to fair value losses arising from rising interest rates.

#### **3. LEVIED FEES/RECEIVABLES**

As per Louisiana RS 40:1502, the Fire District annually levies a service charge of \$100 to persons owning assessed property located within its boundaries. The resolution assessing the service charges was reapproved by the district voters November 17, 2007, to continue for ten years through December, 2018. The assessment is to cover the cost of the purchase of fire protection equipment and the maintenance and operation of fire protection facilities and equipment, and for obtaining water for fire protection purposes.

**DESOTO PARISH FIRE PROTECTION DISTRICT NO. 3****Stonewall, Louisiana****NOTES TO THE FINANCIAL STATEMENTS**

December 31, 2011

**3. LEVIED FEES/RECEIVABLES (continued)**

The assessment calendar:

Assessment and levy date	January 1, 2011
Bills mailed	February 1, 2011
Total service charges due	upon receipt
Lien date	not applicable

The Fire District assessed \$230,825 in service charges in 2011, and recognized \$210,795 in receipts.

The service charge receivables at December 31, 2011, are as follows:

Service charge parcel fees receivable	\$ 392,233
Allowance for doubtful accounts	(49,512)
Receivables	<u>\$ 342,721</u>

**4. CAPITAL ASSETS**

Capital asset balances and activity for the year ended December 31, 2011 are as follows:

Governmental Activities	Balance 1/1/2011	Additions	Deletions	Balance 12/31/2011
Vehicles	\$ 1,062,067	\$	\$ 16,778	\$ 1,045,289
Buildings	192,903			192,903
Firefighting Equipment	164,960	57,050		222,010
Office Equipment	11,810			11,810
Land	11,450			11,450
Total	<u>1,443,190</u>	<u>57,050</u>	<u>16,778</u>	<u>1,483,462</u>
Less Accumulated Depreciation				
Vehicles	597,788	52,774	6,432	644,130
Buildings	94,577	5,610		100,187
Firefighting Equipment	103,437	12,651		116,088
Office Equipment	9,746	1,627		11,373
Land				
Total	<u>805,548</u>	<u>72,662</u>	<u>6,432</u>	<u>871,778</u>
Capital Assets, Net	<u>\$ 637,642</u>	<u>\$ (15,612)</u>	<u>10,346</u>	<u>\$ 611,684</u>

Depreciation expense of \$72,662 was charged to the public safety function.

## **DESOTO PARISH FIRE PROTECTION DISTRICT NO. 3**

### **Stonewall, Louisiana**

#### **NOTES TO THE FINANCIAL STATEMENTS**

December 31, 2011

#### **5. RISK MANAGEMENT**

The Fire District is exposed to various risks of loss related to limited torts, theft of or damage to and destruction of asset and errors and omissions. To handle some of the risk, the Fire District maintains surety bond coverage. No settled claims from these risks have exceeded insurance coverage in the last three years. There were no significant changes to insurance coverage during the year ended December 31, 2011.

#### **6. LITIGATION**

There is no litigation pending against the Fire District, at December 31, 2011, nor is it aware of any unasserted claims.

#### **7. RELATED PARTY TRANSACTIONS**

FASB 57 requires the disclosure of the description of the relationship, the transactions, the dollar amount of the transactions, and any amounts due to or from that result from related party transactions. The Fire District had no identified related party transactions for the year ended December 31, 2011.

#### **8. LEASE AGREEMENTS**

Desoto Parish Fire Protection District No. 3 has the following lease agreements:

- 40-year lease commencing April 1, 1990 with North DeSoto Water System to provide water to the Fire District. Annual payment due of \$1.
- 25-year lease commencing April 1, 1990 with Town of Stonewall to lease the land at 5200 Hwy. 3276 on which Central Station is located. Annual payment due of \$1.
- 99-year lease (or as long as the Fire District exists) commencing October 1, 1990 with James U. Burford to lease the land at 2426 Hwy. 171 for Station 2. Annual payment due of \$1.

#### **9. RETIREMENT COMMITMENTS**

All employees of the DeSoto Parish Fire Protection District No. 3 are members of the Federal Social Security System. The District and its employees contribute a percentage of each employee's salary to the System (4.2% by the employee). The District's contribution during the year ended December 31, 2011, amount to \$1,170.

# **DESOTO PARISH FIRE PROTECTION DISTRICT NO. 3**

## **Stonewall, Louisiana**

### **NOTES TO THE FINANCIAL STATEMENTS**

December 31, 2011

#### **10. LONG-TERM DEBT**

The following is a summary of long-term debt transactions for the year ended December 31, 2011:

Long-term debt payable at December 31, 2010	\$ 175,926
New debt issued	-
Less, payments made during the year	(55,825)
Total debt	<u>120,101</u>
Due within one year	(58,596)
Long-term debt payable at December 31, 2011	<u>\$ 61,505</u>

On February 3, 2009, the Board of Commissioners of the Fire District approved a five-year Louisiana Municipal Lease-Purchase Agreement No. 5152 dated January 6, 2009, to enter into a Lease Agreement with Government Capital Corporation to purchase two new tanker trucks. The agreement calls for annual principal payments of \$100,000 for the first year and \$64,557.83 for the remaining four years with interest annually at a rate of 5.186%.

#### **11. COMPENSATION PAID TO BOARD MEMBERS**

The members of the Board of Commissioners of the Fire District receive no compensation for their services.

#### **12. SUBSEQUENT EVENTS**

Management has evaluated events through June 20, 2012, which is the date the financial statements were available. There were no subsequent events that required disclosure.

**REQUIRED SUPPLEMENTAL INFORMATION (PART II)**

**DESOTO PARISH FIRE PROTECTION DISTRICT NO. 3**

Stonewall, Louisiana

**BUDGETARY COMPARISON SCHEDULE - GENERAL FUND**

For the Year Ended December 31, 2011

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
<b>Revenues</b>				
Service charge parcel fees	\$ 180,000	\$ 200,000	\$ 229,650	\$ (29,650)
Intergovernmental revenue- state funds				
Fire insurance rebate	10,000	11,617	11,617	-
State and other grants	3,600	12,099	2,099	10,000
Contributions	-	2,025	12,050	(10,025)
Other revenues	-	54,816	55	54,761
Interest income	1,800	1,400	1,460	(60)
Total Revenues	<u>195,400</u>	<u>281,957</u>	<u>256,932</u>	<u>25,025</u>
<b>Expenditures</b>				
Current:				
Public safety-fire				
Personal and related benefits	27,240	28,400	21,127	7,273
Materials and supplies	101,800	108,300	119,266	(10,966)
General and administrative	17,400	18,650	25,252	(6,602)
Capital outlays	-	80,818	57,050	23,768
Debt service:				
Principal payments	64,558	64,558	55,825	8,733
Interest expense	-	-	8,732	(8,732)
Total Expenditures	<u>210,998</u>	<u>300,726</u>	<u>287,252</u>	<u>13,473</u>
Net Change in Fund Balance before other financing sources	<u>(15,598)</u>	<u>(18,769)</u>	<u>(30,320)</u>	<u>11,552</u>
Other financing source				
Insurance proceeds for damaged vehicle	-	-	51,750	51,750
Total other financing source	<u>-</u>	<u>-</u>	<u>51,750</u>	<u>51,750</u>
Net Change in Fund Balance	(15,598)	(18,769)	21,430	
Fund balances, beginning of year	<u>503,494</u>	<u>503,494</u>	<u>503,494</u>	
Fund balances, end of year	<u>\$ 487,896</u>	<u>\$ 484,725</u>	<u>\$ 524,924</u>	

**DESOTO PARISH FIRE PROTECTION DISTRICT NO. 3**  
**Stonewall, Louisiana**  
**NOTE TO BUDGETARY COMPARISON SCHEDULE**  
Year Ended December 31, 2011

**Budgetary Information**

The budget is prepared in accordance with accounting principles generally accepted in the United States of America. Budgets for most governmental funds are adopted annually on the cash basis of accounting. The budget comparison schedules present the original adopted budget and the final amended budget. The Fire District amended the budget once during the year.

The Fire District is in compliance with the Local Government Budget Act R.S. 39:1301-14 and the budget requirements of LSA-RS 39:34.

**OTHER REPORTS REQUIRED BY LOUISIANA GOVERNMENTAL  
AUDIT GUIDE**



## **Independent Accountant's Report on Applying Agreed-Upon Procedures**

Board of Commissioners  
DeSoto Parish Fire Protection District No. 3  
Stonewall, LA 71078

I have performed the procedures included in the *Louisiana Governmental Audit Guide* and enumerated below, which were agreed upon by the management of the DeSoto Parish Fire Protection District No. 3 and the Legislative Auditor, State of Louisiana, solely to assist the users in evaluating management's assertions about DeSoto Parish Fire Protection District No. 3's compliance with certain laws and regulations during the year ended December 31, 2011, included in the accompanying *Louisiana Attestation Questionnaire*. Management of DeSoto Parish Fire Protection District No. 3 is responsible for its financial records and compliance with applicable laws and regulations. This agreed-upon procedures engagement was performed in accordance with standards established by the American Institute of Certified Public Accountants and applicable standards of *Government Auditing Standards*. The sufficiency of these procedures is solely the responsibility of the specified users of the report. Consequently, I make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

### **Public Bid Law**

1. Select all expenditures made during the year for materials and supplies exceeding \$30,000, or public works exceeding \$150,000, and determine whether such purchases were made in accordance with LSA-RS 38:2211-2251 (the public bid law).

Two expenditures were made during the year for materials and supplies exceeding \$30,000. No expenditures were for public works exceeding \$150,000. The purchases were made in accordance with the public bid law.

### **Code of Ethics for Public Officials and Public Employees**

2. Obtain from management a list of the immediate family members of each board member as defined by LSA-RS 42:1101-1124 (the code of ethics), and a list of outside business interests of all board members and employees, as well as their immediate families.

Management provided me with the required list including the noted information.

3. Obtain from management a listing of all employees paid during the period under examination.

Management provided me with the required list.

4. Determine whether any of those employees included in the listing obtained from management in agreed-upon procedure (3) were also included on the listing obtained from management in agreed-upon procedure (2) as immediate family members.

None of the employees included on the list of employees provided by management (agreed-upon procedure No. 3) appeared on the list provided by management in agreed-upon procedure No. 2.

## **Budgeting**

5. Obtain a copy of the legally adopted budget and all amendments.

Management provided me with a copy of the original budget. The budget was amended once during the year.

6. Trace the budget adoption and amendments to the minute book.

I traced the adoption of the original budget to the minutes of a meeting held on December 9, 2010, which indicated that the commissioners of the Fire District had adopted the budget by a vote of 3-0 in favor with two commissioners absent from the meeting. The budget was amended on November 10, 2011.

7. Compare the revenues and expenditures of the final budget to actual revenues and expenditures to determine if actual revenues failed to meet budgeted revenues by 5% or more and if actual expenditures exceed budgeted amounts by 5% or more.

I compared the revenues and expenditures of the final budget to actual revenue and expenditures. Budgeted revenues for the year did not exceed actual amounts by more than 5%, nor did actual expenditures exceed budgeted amounts by more than 5%.

## **Accounting and Reporting**

8. Randomly select 6 disbursements made during the period under examination and:

- (a) trace payments to supporting documentation as to proper amount and payee;

I examined supporting documentation for each of the six selected disbursements and found that payment was for the proper amount and made to the correct payee.

- (b) determine if payments were properly coded to the correct fund and general ledger account;

All payments were properly coded to the correct general ledger account.

- (c) determine whether payments received approval from proper authorities.

Inspection of documentation supporting the selected disbursements indicated approvals from a volunteer. The volunteer had not been approved by the board at the time procedures were performed, however the board corrected the issue and approved the approval of invoices by the volunteer by the date the financial statements were issued.

## **Meetings**

9. Examine evidence indicating that agendas for meetings recorded in the minute book were posted or advertised as required by RS 42:4.1 through 42:13 (the open meeting law).

The DeSoto Parish Fire Protection District No. 3 is only required to post a notice of each meeting and the accompanying agenda on the door of the district's office building. Management has asserted that such documents were properly posted. I noted such for the July, 2011, board meeting, and copies of agendas were in the files.

## **Debt**

10. Examine bank deposits for the period under examination and determine whether any such deposits appear to be proceeds of bank loans, bonds, or like indebtedness.

I inspected all deposits for the period under examination and found no indication of new bank loans, bonds, or like indebtedness in 2011.

## **Advances and Bonuses**

11. Examine payroll records and minutes for the year to determine whether any payments have been made to employees which may constitute bonuses, advance, or gifts.

A reading of the minutes of the district for the year indicated no approval for the payments noted. I also inspected payroll records for the year and noted no instances that would indicate payments to employees which would constitute bonuses, advances, or gifts.

## **Prior-year comments**

12. Review any prior-year suggestions, recommendations, and/or comments to determine the extent to which such matters have been resolved.

My prior year report (for year end December 31, 2010) did not include any suggestions, recommendations, and/or comments.

I was not engaged to perform, and did not perform, an audit, the objective of which would be the expression of an opinion on management's assertions. Accordingly, I do not express such an opinion. Had I performed additional procedures, other matters might have come to my attention that would have been reported to you.

This report is intended solely for the use of management of the DeSoto Parish Fire Protection District No. 3 and the Legislative Auditor, State of Louisiana, and should not be used by those who have not agreed to the procedures and taken responsibility for the sufficiency of the procedures for their purposes. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.



Deborah D. Dees, CPA  
Mansfield, Louisiana  
June 20, 2012

**LOUISIANA ATTESTATION QUESTIONNAIRE  
(For Attestation Engagements of Government)**

March 9, 2012

Deborah D. Dees, CPA  
122 Jefferson Street  
Mansfield, LA 71052

In connection with your review of our financial statements as of December 31, 2010 and for the year then ended, and as required by Louisiana Revised Statute 24:513 and the *Louisiana Governmental Audit Guide*, we make the following representations to you. We accept full responsibility for our compliance with the following laws and regulations and the internal controls over compliance with such laws and regulations. We have evaluated our compliance with the following laws and regulations prior to making these representations.

These representations are based on the information available to us as of December 31, 2010.

**Public Bid Law**

It is true that we have complied with the public bid law, R.S. Title 38:2211-2296, and, where applicable, the regulations of the Division of Administration and the State Purchasing Office.

Yes [☒] No [ ☐ ]

**Code of Ethics for Public Officials and Public Employees**

It is true that no employees or officials have accepted anything of value, whether in the form of a service, loan, or promise, from anyone that would constitute a violation of R.S. 42:1101-1124.

Yes [☒] No [ ☐ ]

It is true that no member of the immediate family of any member of the governing authority, or the chief executive of the governmental entity, has been employed by the governmental entity after April 1, 1980, under circumstances that would constitute a violation of R.S. 42:1119.

Yes [☒] No [ ☐ ]

**Budgeting**

We have complied with the state budgeting requirements of the Local Government Budget Act (R.S. 39:1301-16), R.S. 39:33, or the budget requirements of R.S. 39:1331-1342, as applicable.

Yes [☒] No [ ☐ ]

**Accounting and Reporting**

All non-exempt governmental records are available as a public record and have been retained for at least three years, as required by R.S. 44:1, 44:7, 44:31, and 44:36.

Yes [☒] No [ ☐ ]

We have filed our annual financial statements in accordance with R.S. 24:514, and 33:463 where applicable.

Yes [ ☒ ] No [ ☐ ]

We have had our financial statements reviewed in accordance with R.S. 24:513.

Yes [ ☒ ] No [ ☐ ]

### Meetings

We have complied with the provisions of the Open Meetings Law, provided in R. S. 42:1 through 42:13.

Yes [ ☒ ] No [ ☐ ]

### Debt

It is true we have not incurred any indebtedness, other than credit for 90 days or less to make purchases in the ordinary course of administration, nor have we entered into any lease-purchase agreements, without the approval of the State Bond Commission, as provided by Article VII, Section 8 of the 1974 Louisiana Constitution, Article VI, Section 33 of the 1974 Louisiana Constitution, and R.S. 39:1410.60-1410.65.

Yes [ ☒ ] No [ ☐ ]

### Advances and Bonuses

It is true we have not advanced wages or salaries to employees or paid bonuses in violation of Article VII, Section 14 of the 1974 Louisiana Constitution, R.S. 14:138, and AG opinion 79-729.

Yes [ ☒ ] No [ ☐ ]

We have disclosed to you all known noncompliance of the foregoing laws and regulations, as well as any contradictions to the foregoing representations. We have made available to you documentation relating to the foregoing laws and regulations.

We have provided you with any communications from regulatory agencies or other sources concerning any possible noncompliance with the foregoing laws and regulations, including any communications received between the end of the period under examination and the issuance of this report. We acknowledge our responsibility to disclose to you any known noncompliance that may occur subsequent to the issuance of your report.

Ronald E. ... Secretary/Treasurer 4/12/12 Date

Ray Baker President 4-12-12 Date